

CLINTON TOWNSHIP HOUSING COMMISSION
CLINTON TOWNSHIP, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

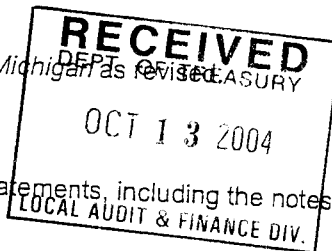
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Clinton Township Housing Commission</i>	County <i>Macomb</i>
Audit Date <i>3/3/04</i>	Opinion Date <i>8/26/04</i>	Date Accountant Report Submitted to State: <i>10/15/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan as Revised*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	J		
Reports on individual federal financial assistance programs (program audits).			J
Single Audit Reports (ASLGU).	J		

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette CPA, PC</i>			
Street Address <i>107 E. 8th Street</i>		City <i>Troy Mich</i>	State <i>MI</i> ZIP <i>49606</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

CLINTON TOWNSHIP HOUSING COMMISSION
TABLE OF CONTENTS
March 31, 2004

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-2
 <u>FINANCIAL STATEMENTS</u>	
Combined Balance Sheet	3-4
Combined Statement of Revenue, Expenses and Changes in Equity	5
Combined Statement of Cash Flows	6-7
Notes to Financial Statements	8-17
 <u>SUPPLEMENTAL INFORMATION</u>	
Combining Balance Sheet	18-19
Combining Statement of Revenue, Expenses and Changes in Equity	20
Combining Statement of Cash Flows	21-22
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	23
Financial Data Schedule	24-27
 <u>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL</u>	28-31
Schedule of Findings and Questioned Costs	32-33
Summary Schedule of Prior Audit Findings	34

INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

We have audited the accompanying financial statements of the Clinton Township Housing Commission, Michigan (a component unit of the City of Clinton Township) as of March 31, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton Township Housing Commission, Michigan, as of March 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Clinton Township Housing Commission
Independent Auditor's Report
Page Two

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Samy E. Tauler, CPA, PC

August 26, 2004

FINANCIAL STATEMENTS

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINED BALANCE SHEET
March 31, 2004
=====

ASSETS

Current Assets:

Cash	
Accounts receivable-HUD	\$ 261,735
Accounts receivable-miscellaneous	86,106
Accounts receivable-tenants	641
Allowance for doubtful accounts	2,736
Prepaid expenses	(1,077)
Due from other programs	33,657
	<u>33,330</u>

Total Current Assets	<u>417,128</u>
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Property, Plant, and Equipment:

Land	48,000
Buildings	1,440,255
Equipment	100,805
Building improvements	<u>1,852,901</u>
	3,441,961
Less: accumulated depreciation	<u>(1,775,524)</u>

Net Property, Plant, and Equipment	<u>1,666,437</u>
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Total Assets	<u>\$ 2,083,565</u>
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See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINED BALANCE SHEET (CONTINUED)
March 31, 2004
=====

LIABILITIES and EQUITY

Current Liabilities:

Bank overdraft	\$ 3,410
Accounts payable	38,384
Tenant security deposit liability	18,453
Accrued expenses	56,087
Deferred revenues	3,590
Accrued liabilities-other	7,857
Due to other programs	<u>33,330</u>

Total Current Liabilities 161,111

Noncurrent Liabilities:

Accrued compensated absences	<u>11,574</u>
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Total Liabilities 172,685

Equity:

Contributed capital-HUD	1,449,565
Undesignated retained earnings (deficit)	<u>461,315</u>

Total Equity 1,910,880

Total Liabilities and Equity \$ 2,083,565

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN EQUITY**
 Year Ended March 31, 2004
 =====

OPERATING REVENUES:	
Dwelling rent	\$ 176,952
Non-dwelling rent	<u>632</u>
Total operating revenues	<u>177,584</u>
OPERATING EXPENSES:	
Administration	165,817
Tenant services	183
Utilities	93,772
Ordinary maintenance and operation	180,698
General expenses	45,571
Housing assistance payments	130,794
Depreciation	<u>162,150</u>
Total operating expenses	<u>778,985</u>
Operating income(loss)	<u>(601,401)</u>
NONOPERATING REVENUES AND (EXPENSES):	
Investment interest income	1,229
Fraud recovery	300
Other income	2,621
Operating grants	461,026
Capital grants	<u>76,139</u>
Total nonoperating revenues(expenses)	<u>541,315</u>
Net income(loss)	<u>(60,086)</u>
Equity, beginning	<u>1,970,966</u>
Equity, ending	<u><u>\$ 1,910,880</u></u>

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended March 31, 2004
 =====

Cash flows from operating activities:	
Operating(loss)	\$(601,401)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	162,150
Bad debt expense	440
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable	(1,465)
Prepaid expenses	(3,370)
Due from other funds	157,317
Increase (decrease) in liabilities:	
Bank overdraft	3,410
Accounts payable-operations	5,137
Accrued wage/payroll taxes	6,780
Accrued compensated absences	6,782
Accounts payable-PILOT	(7,009)
Tenant security deposits	390
Deferred revenues	197
Accrued liabilities-other	(3,489)
Due to other funds	(157,317)
Net cash (used in) operating activities	<u>(431,448)</u>
Cash flows from noncapital financing activities:	
Operating grants	544,371
Fraud recovery	300
Other revenue	<u>1,980</u>
Net cash provided by noncapital financing activities	<u>546,651</u>
Cash flows from capital and related financing activities:	
Capital grants	76,139
Payments for capital acquisitions	<u>(79,135)</u>
Net cash (used in) and related financing activities	<u>(2,996)</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
=====

Cash flows from investing activities:

Receipts of interest and dividends	<u>1,229</u>
Net cash provided by investing activities	<u>1,229</u>
Net increase(decrease) in cash	113,436
Cash, beginning	<u>148,299</u>
Cash, ending	<u>\$ 261,735</u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 261,735
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 261,735</u>

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Clinton Township Housing Commission. The Clinton Township Housing Commission is a component unit of Township of Clinton. The Housing Commission is a Public Housing Agency created by Township of Clinton on October 9, 1968, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Clinton Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3031, the Housing Commission constructed, maintains and operates 102 units of subsidized housing in the City of Clinton Township, Michigan. Under Contract, the Housing Commission manages a Housing Choice Voucher program of subsidies for 430 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Clinton Township has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$250 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings		40 years
Building improvements		15 years
Equipment - portable	3 -	7 years
Furnishings		7 years
Office equipment		7 years

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: An employee shall be entitled to payment for vacation and holidays not previously used or paid. Employees shall be encouraged to take their vacation annually and any vacation days accrued in excess of thirty(30) days in number at the beginning of each calendar year shall be forfeited.

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004

=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

- * Sick pay: Unpaid termination after five years employment, non-union employees shall be paid the following:

50% of unused sick days;

Longevity earned from January 1 of the year of termination.

- * Accumulation of benefit days shall cease on the last day of employment. Unused personal days, birthday, and reimbursement for educational expenses shall be forfeited. Termination pay and benefits for union employees will be in accordance with the collective bargaining agreement of their unit.

The amount of accumulated benefits at March 31, 2004, was \$12,860, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Comerica Bank	<u>\$ 22,070</u>	<u>\$239,479</u>	<u>\$</u>	<u>\$261,549</u>	<u>\$261,535</u>
Total Deposits	<u>\$ 22,070</u>	<u>\$239,479</u>	<u>\$</u>	<u>\$261,549</u>	261,535
Petty cash					<u>200</u>
					<u>\$261,735</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					<u>\$261,735</u>

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004

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NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$2,736 with \$1,077 estimated as uncollectible. Bad debt expense was \$2,187.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

Low Rent Program	\$ 61,507
Capital Fund Program	<u>24,599</u>
Total	<u>\$ 86,106</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$33,330	Capital Fund Program	\$24,599
		Housing Choice Voucher Program	<u>8,731</u>
	<u>\$33,330</u>		<u>\$33,330</u>

The capital fund program transferred \$15,806 to the Low Rent Program during the fiscal year ended March 31, 2004.

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004

=====

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Low Rent Program				
Land	\$ 48,000	\$	\$	\$ 48,000
Buildings	1,440,255			1,440,255
Furniture, equip. & machinery - dwellings	22,885			22,885
Furniture, equip. & machinery - administration	71,137	6,783		77,920
Building improvements	<u>1,714,243</u>	<u>58,413</u>		<u>1,772,656</u>
	3,296,520	<u>\$ 65,196</u>	<u>\$</u>	3,361,716
Less accumulated depreciation	<u>(1,611,031)</u>	<u>\$ (164,047)</u>	<u>\$</u>	<u>(1,775,078)</u>
Total	<u>\$1,685,489</u>			<u>\$1,586,638</u>

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Capital Fund Program				
Furniture, equip. & machinery - dwellings	\$ 3,788	\$	\$ 3,788	\$
Construction in progress	4,106		4,106	
Building improvements	<u>58,413</u>	<u>21,832</u>		<u>80,245</u>
	66,307	<u>\$ 21,832</u>	<u>\$ (7,894)</u>	80,245
Less accumulated depreciation	<u>(2,344)</u>	<u>\$ (446)</u>	<u>\$ 2,344</u>	<u>(446)</u>
Total	<u>\$ 63,963</u>			<u>\$ 79,799</u>

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Contributed Capital</u>
Balance, beginning	\$ 1,595,171
Depreciation add back	<u>(145,606)</u>
Balance, ending	<u>\$ 1,449,565</u>

NOTE 6: POST EMPLOYMENT BENEFITS

The Clinton Township Housing Commission participates in Clinton Townships' pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2003, the date of the last completed actuarial evaluation, the Township's (the Housing Commission is included) termination liability for retirement benefits is \$32,660,062 (employer and employee combined). Valuation assets available to meet this obligation were \$34,262,159. The Housing Commission and employees contributed \$9,514 during the calendar year 2003. The Township (the Housing Commission is included) has thirteen (13) active members, no vested former members, and one (1) retiree and beneficiary. There is an overfunded balance of \$3,379,213 as of December 31, 2003. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004

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NOTE 8: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Operating revenue	\$ 177,584	\$	\$
Depreciation	161,704	446	
Operating(loss)	(391,398)	(65,878)	(144,125)
Operating grants	237,028	81,238	142,760
Capital grants		76,139	
Net income(loss)	(134,860)	75,693	(919)
Operating transfers	15,806	(15,806)	
Plant, property, and equipment:			
Additions	65,196	21,832	
Deletions		(7,894)	
Working capital	255,167		850
Total assets	1,957,111	104,398	22,056
Total equity	1,830,231	79,799	850

**NOTE 10: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND
 CORRECTION OF ERRORS**

Low Rent Program

Transfer closed 2001 CFP equity \$ 59,857

Public Housing Capital Fund Program

Transfer closed 2001 CFP equity \$(59,857)

SUPPLEMENTARY INFORMATION

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING BALANCE SHEET
 March 31, 2004

=====

C-3031	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 239,679	\$
Accounts receivable-HUD	61,507	24,599
Accounts receivable-miscellaneous	641	
Accounts receivable-tenant	2,736	
Allowance for doubtful accounts	(1,077)	
Prepaid expenses	33,657	
Due from other programs	<u>33,330</u>	
Total current assets	<u>370,473</u>	<u>24,599</u>

Property, plant, and equipment:

Land	48,000	
Buildings	1,440,255	
Equipment	100,805	
Building improvements	<u>1,772,656</u>	<u>80,245</u>
	3,361,716	80,245
Less accumulated depreciation	<u>(1,775,078)</u>	<u>(446)</u>
Net property, plant and equipment	<u>1,586,638</u>	<u>79,799</u>
Total Assets	<u>\$1,957,111</u>	<u>\$ 104,398</u>

Housing Choice Vouchers 14.871	Totals
\$ 22,056	\$ 261,735
	86,106
	641
	2,736
	(1,077)
	33,657
	<u>33,330</u>
<u>22,056</u>	<u>417,128</u>
	48,000
	1,440,255
	100,805
	<u>1,852,901</u>
	3,441,961
	<u>(1,775,524)</u>
	<u>1,666,437</u>
<u>\$ 22,056</u>	<u>\$ 2,083,565</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING BALANCE SHEET (CONTINUED)
 March 31, 2004

=====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and EQUITY		
Current liabilities:		
Bank overdraft	\$ 3,410	\$
Accounts payable	25,909	
Tenant security deposit liability	18,453	
Accrued expenses	56,087	
Deferred revenues	3,590	
Accrued liabilities-other	7,857	
Due to other programs		<u>24,599</u>
Total current liabilities	<u>115,306</u>	<u>24,599</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>11,574</u>	
Total noncurrent liabilities	<u>11,574</u>	
Total liabilities	<u>126,880</u>	<u>24,599</u>
Equity:		
Contributed capital - HUD	1,449,565	
Undesignated retained earnings	<u>380,666</u>	<u>79,799</u>
Total equity	<u>1,830,231</u>	<u>79,799</u>
Total Liabilities and Equity	<u><u>\$1,957,111</u></u>	<u><u>\$ 104,398</u></u>

Housing Choice Vouchers		Totals
<u>14.871</u>		
\$ 12,475	\$ 3,410	
	38,384	
	18,453	
	56,087	
	3,590	
	7,857	
<u>8,731</u>	<u>33,330</u>	
<u>21,206</u>	<u>161,111</u>	
	<u>11,574</u>	
	<u>11,574</u>	
<u>21,206</u>	<u>172,685</u>	
	1,449,565	
<u>850</u>	<u>461,315</u>	
<u>850</u>	<u>1,910,880</u>	
<u>\$ 22,056</u>	<u>\$ 2,083,565</u>	

CLINTON TOWNSHIP HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN EQUITY**

Year Ended March 31, 2004

=====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 176,952	\$
Nondwelling rent	<u>632</u>	<u></u>
Total operating revenues	<u>177,584</u>	<u></u>
OPERATING EXPENSES:		
Administration	143,797	8,689
Tenant services	183	
Utilities	93,772	
Ordinary maintenance and operation	123,955	56,743
General expenses	45,571	
Housing assistance payments		
Depreciation	<u>161,704</u>	<u>446</u>
Total operating expenses	<u>568,982</u>	<u>65,878</u>
Operating income(loss)	<u>(391,398)</u>	<u>(65,878)</u>
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	15,806	(15,806)
Investment interest income	1,083	
Fraud recovery		
Other income	2,621	
Operating grants	237,028	81,238
Capital grants	<u></u>	<u>76,139</u>
Total nonoperating revenues (expenses)	<u>256,538</u>	<u>141,571</u>
Net income(loss)	<u>(134,860)</u>	<u>75,693</u>
Prior period adjustments, equity transfers and correction of errors	59,857	(59,857)
Equity, beginning	<u>1,905,234</u>	<u>63,963</u>
Equity, ending	<u>\$1,830,231</u>	<u>\$ 79,799</u>

Housing Choice Vouchers <u>14,871</u>	<u>Totals</u>
\$	\$ 176,952
	<u>632</u>
	<u>177,584</u>
13,331	165,817
	183
	93,772
	180,698
	45,571
130,794	130,794
	<u>162,150</u>
<u>144,125</u>	<u>778,985</u>
(144,125)	(601,401)
146	1,229
300	300
	2,621
142,760	461,026
	<u>76,139</u>
<u>143,206</u>	<u>541,315</u>
(919)	(60,086)
<u>1,769</u>	<u>1,970,966</u>
<u>\$ 850</u>	<u>\$ 1,910,880</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2004
=====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from operating activities:		
Operating(loss)	\$(391,398)	\$(65,878)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	161,704	446
Bad debt expense	440	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,465)	
Prepaid expenses	(3,370)	
Due from other funds	157,317	
Increase (decrease) in liabilities:		
Bank overdraft	3,410	
Accounts payable-operations	5,137	
Accrued wage/payroll taxes	6,780	
Accrued compensated absences	6,782	
Accounts payable-PILOT	(7,009)	
Tenant security deposits	390	
Deferred revenues	197	
Accrued liabilities-other	(3,489)	
Due to other funds	<u> </u>	<u>(135,791)</u>
Net cash (used in) operating activities	<u>(64,574)</u>	<u>(201,223)</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	15,806	(15,806)
Operating grants	184,076	217,029
Fraud recovery		
Other revenue	<u>1,980</u>	<u> </u>
Net cash provided by noncapital financing activities	<u>201,862</u>	<u>201,223</u>
Cash flows from capital and related financing activities:		
Capital grants		76,139
Payments for capital acquisitions	<u>(2,996)</u>	<u>(76,139)</u>
Net cash (used in) capital and related financing activities	<u>(2,996)</u>	<u> </u>

Housing Choice Vouchers	
<u>14.871</u>	<u>Totals</u>
\$ (144,125)	\$ (601,401)
	162,150
	440
	(1,465)
	(3,370)
	157,317
	3,410
	5,137
	6,780
	6,782
	(7,009)
	390
	197
(21,526)	(3,489)
<u>(21,526)</u>	<u>(157,317)</u>
<u>(165,651)</u>	<u>(431,448)</u>
143,266	544,371
300	300
<u>143,566</u>	<u>1,980</u>
<u>143,566</u>	<u>546,651</u>
	76,139
	<u>(79,135)</u>
	<u>(2,996)</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
=====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from investing activities:		
Receipts of interest and dividends	<u>1,083</u>	<u> </u>
Net cash providing by investing activities	<u>1,083</u>	<u> </u>
Net increase(decrease) in cash	135,375	
Cash, beginning	<u>104,304</u>	<u> </u>
Cash, ending	<u><u>\$ 239,679</u></u>	<u><u>\$ </u></u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 239,679	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 239,679</u></u>	<u><u>\$ </u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
<u>146</u>	<u>1,229</u>
<u>146</u>	<u>1,229</u>
(21,939)	113,436
<u>43,995</u>	<u>148,299</u>
<u>\$ 22,056</u>	<u>\$ 261,735</u>

<u>\$ 22,056</u>	<u>\$ 261,735</u>
------------------	-------------------

<u>\$ 22,056</u>	<u>\$ 261,735</u>
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CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2004

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 237,028
	<u>Public and Indian Housing Major - Direct Program</u>		
2004	Capital Fund Program	14.872	157,377
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>142,760</u>
	Total		<u>\$ 537,165</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

CLINTON TOWNSHIP HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 239,679	\$
100	Total cash	<u>239,679</u>	
	Receivables:		
122	A/R-HUD other projects	61,507	24,599
125	A/R-miscellaneous	641	
126	A/R-tenants-dwelling rents	2,736	
126.1	Allowance for doubtful accounts	(1,077)	
120	Total receivables, net of allowance for doubtful accounts	<u>63,807</u>	<u>24,599</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	33,657	
144	Interprogram due from	<u>33,330</u>	
	Total other current assets	<u>66,987</u>	
150	Total current assets	<u>370,473</u>	<u>24,599</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	48,000	
162	Buildings	1,440,255	
163	Furn, equip & mach-dwellings	22,885	
164	Furn, equip & mach-admin.	77,920	
165	Building improvements	1,772,656	80,245
166	Accumulated depreciation	<u>(1,775,078)</u>	<u>(446)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,586,638</u>	<u>79,799</u>
180	Total noncurrent assets	<u>1,586,638</u>	<u>79,799</u>
190	Total Assets	<u>\$ 1,957,111</u>	<u>\$104,398</u>

Housing Choice Vouchers 14.871	<u>Totals</u>
<u>\$ 22,056</u>	<u>\$ 261,735</u>
<u>22,056</u>	<u>261,735</u>
	86,106
	641
	2,736
	<u>(1,077)</u>
	<u>88,406</u>
	33,657
	<u>33,330</u>
	<u>66,987</u>
<u>22,056</u>	<u>417,128</u>
	48,000
	1,440,255
	22,885
	77,920
	1,852,901
	<u>(1,775,524)</u>
	<u>1,666,437</u>
	<u>1,666,437</u>
<u>\$ 22,056</u>	<u>\$ 2,083,565</u>

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2004

=====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and EQUITY			
	Liabilities:		
	Current Liabilities:		
311	Bank overdraft	\$ 3,410	\$
312	Accounts payable	19,093	
321	Accrued wage/payroll taxes payable	54,801	
322	Accrued compensated absences	1,286	
331	Accounts payable-HUD PHA programs		
333	Accounts payable-other government	6,816	
341	Tenant security deposits	18,453	
342	Deferred revenues	3,590	
346	Accrued liabilities-other	7,857	
347	Interprogram due to		<u>24,599</u>
310	Total current liabilities	<u>115,306</u>	<u>24,599</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>11,574</u>	
350	Total noncurrent liabilities	<u>11,574</u>	
300	Total liabilities	<u>126,880</u>	<u>24,599</u>
	Equity:		
	Contributed Capital:		
502	Project notes (HUD)	510,642	
503	Long-term debt-HUD guaranteed	675,000	
504	Net HUD PHA contributions	205,123	
507	Other contributions	<u>58,800</u>	
508	Total contributed capital	1,449,565	
512	Retained earnings	<u>380,666</u>	<u>79,799</u>
513	Total Equity	<u>1,830,231</u>	<u>79,799</u>
600	Total Liabilities and Equity	<u>\$ 1,957,111</u>	<u>\$104,398</u>

Housing Choice Vouchers 14.871	Totals
\$ 400	\$ 3,410
	19,493
	54,801
	1,286
12,075	12,075
	6,816
	18,453
	3,590
	7,857
<u>8,731</u>	<u>33,330</u>
<u>21,206</u>	<u>161,111</u>
	<u>11,574</u>
	<u>11,574</u>
<u>21,206</u>	<u>172,685</u>
	510,642
	675,000
	205,123
	<u>58,800</u>
	1,449,565
<u>850</u>	<u>461,315</u>
<u>850</u>	<u>1,910,880</u>
<u>\$ 22,056</u>	<u>\$ 2,083,565</u>

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004

=====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 176,952	\$
704	Tenant revenue-other	<u>632</u>	<u></u>
705	Total tenant revenue	177,584	
706	HUD PHA operating grants	237,028	81,238
706.1	Capital grants		76,139
711	Investment income-unrestricted	1,083	
714	Fraud recovery		
715	Other revenue	<u>2,621</u>	<u></u>
700	Total revenue	<u>418,316</u>	<u>157,377</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	79,997	
912	Auditing fees	1,850	
914	Compensated absences	6,783	
915	Employee benefit contributions-adm.	24,812	
916	Other operating-administrative	30,355	8,689
	Tenant Services:		
924	Tenant services-other	183	
	Utilities:		
931	Water	42,035	
932	Electricity	29,498	
933	Gas	22,239	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	62,028	
942	Ordinary maint & oper-mat'ls & other	27,235	
943	Ordinary maint & oper-contract costs	15,454	2,088
945	Employee benefit contributions	19,238	
952	Protective services-other contract costs		54,655
	General expenses:		
961	Insurance premiums	36,568	
963	Payments in lieu of taxes	6,816	
964	Bad debt-tenant rents	<u>2,187</u>	<u></u>
969	Total operating expenses	<u>407,278</u>	<u>65,432</u>
970	Excess operating revenue over operating expenses	<u>11,038</u>	<u>91,945</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 176,952
	632
	177,584
142,760	461,026
	76,139
146	1,229
300	300
	2,621
143,206	718,899
9,125	89,122
	1,850
	6,783
3,000	27,812
1,206	40,250
	183
	42,035
	29,498
	22,239
	62,028
	27,235
	17,542
	19,238
	54,655
	36,568
	6,816
	2,187
13,331	486,041
129,875	232,858

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004

=====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>161,704</u>	<u>446</u>
	Total other expenses	<u>161,704</u>	<u>446</u>
900	Total expenses	<u>568,982</u>	<u>65,878</u>
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	(150,666)	91,499
	Other Financing Sources (Uses):		
1001	Operating transfers in (out)	<u>15,806</u>	<u>(15,806)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	(134,860)	75,693
1103	Beginning Equity	1,905,234	63,963
1104	Prior period adjustments, equity transfers and correction of errors	<u>59,857</u>	<u>(59,857)</u>
	Ending Equity	<u>\$ 1,830,231</u>	<u>\$ 79,799</u>

14.871

Totals

162,150

162,150

130,794

292,944

144,125

778,985

(919

(60,086

(919

(60,086

1,769

1,970,966

\$ 850

\$ 1,910,880

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

We have audited the financial statements of the Clinton Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Clinton Township Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated August 26, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bany E. Tauskett, CPA, PC

August 26, 2004

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

Compliance

We have audited the compliance of the Clinton Township Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Clinton Township Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated August 26, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Tautell, CPA, PC

August 26, 2004

CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 March 31, 2004
 =====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850	Low Rent Public Housing	\$ 237,028	Yes	0	N/A	N/A
14.872	Capital Fund Program	157,377	Yes	0	N/A	N/A
14.871	Housing Choice Vouchers	<u>142,760</u>	No	0	N/A	N/A
	Total	<u>\$ 537,165</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$500,000
6. Auditee qualified as low-risk auditee? Yes

CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2004
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

CLINTON TOWNSHIP HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2004

=====

NONE

CLINTON TOWNSHIP HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2004

CLINTON TOWNSHIP HOUSING COMMISSION
CONTENTS
MARCH 31, 2004

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Commissioners	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4
Adjusting Journal Entries	5

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Clinton Township Housing Commission

We have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing there were no audit adjusting journal entries necessary).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Barry E. Sandell, CPA

August 26, 2004

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Clinton Township Housing Commission

We have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated August 26, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 26, 2004

CLINTON TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
March 31, 2004

=====

Employee Evaluations

The Housing Commission has not had employee evaluations recently.

We recommend that the Housing Commission have employee evaluations at least annually.

CLINTON TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2004
=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no audit adjusting journal entries.